

Message Text

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PAGE 01 PALERM 00035 181006Z
ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01
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TO SECSTATE WASHINGTON DC 1982
INFO AMEMB ROME IT
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C O N F I D E N T I A L PALERMO 35

E.O. 11652: GDS

TAGS: ECON ENERG AG TS IT

SUBJECT: TRANSMEDITERRANEAN GAS PIPELINE PROJECT

REF; A. PALERMO 0746 B. TUNIS 8802

1. CONFIRMATION OF PRESS REPORTS THAT THE ALGERIA-TUNISIA-ITALY GAS PIPELINE PROJECT HAS BEEN SHELVED CAME FROM A JANUARY 18 CONVERSATION WITH ACTING PRESIDENT OF THE SICILIAN MINERALS AGENCY (MS).
2. ACCORDING TO EMS OFFICIAL, PROJECT STUMBLED OVER THE ESCALATION OF CONDITIONS IMPOSED BY THE TUNISIAN GOVERNMENT. OFFICIAL BELIEVED THAT CHANGE IN TUNISIAN ATTITUDE CAN BE PARTLY ATTRIBUTED TO PRESIDENT BOURGHIBA'S ILL HEALTH WHICH PRECLUDED HIM FROM PERSONAL INVOLVEMENT IN LATEST PHASE OF PIPELINE NEGOTIATIONS.

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3. MAIN CONDITIONS INITIALLY PROPOSED BY TUNISIA WERE THE EVENTUAL OWNERSHIP OF THAT PORTION OF PIPELINE BUILT ON TUNISIAN TERRITORY AND AN ANNUAL ROYALTY OF 4.5 MILLION DOLLARS. IN MOST RECENT ROUND, HOWEVER, TUNISIANS ALSO ASKED FOR: T OWNERSHIP OF THETORY PORTION OF PIPELINE TO BE LOCATED IN TUNISIA'S (XTENSIVE)

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TERRITORIAL WATERS;) RENTALS TO BE PAID TUNISIA ON ITS SEA PORTION OF THE PIPELINE.) A 10 PERCENT ROYALTY INCREASE, ENTIRE ROYALTY TO BE PAID IN METHANE GAS AT A LOW FIXED PRICE OF LIRE 30 PER CUBIC METER.

4. ALGERIAN AND ITALIAN NEGOTIATORS (NI) REJECTED NEW TUNISIAN CONDITIONS AND SONATRACH MADE AN ALTERNATIVE PROPOSAL TO ENI FOR THE ANNUAL SUPPLY OF 8.5 BILLION CUBIC METERS OF LIQUID METHANE TO BE

TRANSPORTED TO ITALY BY SHIP. ALGERIA IMPOSED DECISION DEADLINE OF DECEMBER 8 ON ENI, WHICH APPARENTLY ACCEPTED PROPOSAL AND SIGNED AN AGREEMENT ON NOVEMBER 24, 1976.

5. EMS OFFICIAL EXPRESSED CONCERN ABOUT NEW AGREEMENT WHICH THREATENS TO CUT SICILY OUT OF HOPED-FOR LOW COST ENERGY SOURCE SINCE IT SEEMS PROBABLE THAT ENI WILL PREFER TO TRANSPORT THE LIQUID METHANE TO NORTHERN ITALIAN PORTS WHERE IT WILL BE REGASIFIED AND DISTRIBUTED TO EXISTING END-USERS IN ITALY.

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6. EMS OFFICIAL THOUGHT SICILIAN REGIONAL GOVERNMENT SHOULD INTERVENE WITH THE ITALIAN GOVERNMENT AND ENI TO ASSURE THAT THE FIRST PORT OF CALL FOR SHIPS CARRYING METHANE BE WESTERN SICILIAN PORT AS PROJECTED IN ORIGINAL PIPELINE SCHEME. WHETHER THE SICILIAN GOVERNMENT SUCCEEDS OR NOT COULD BE A GOOD TEST CASE FOR ITS OWN EFFECTIVENESS AND FOR NATIONAL GOVERNMENT'S RESPONSIVENESS TO NEEDS OF MEZZOGIORNO.

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Sent Date: 14-Jan-1977 12:00:00 am
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Decaption Note:
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Disposition Approved on Date:
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